

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 L-03 H-02 DODE-00 PA-02 DOE-15 SOE-02

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FM AMCONSUL TORONTO

TO SECSTATE WASHDC 7085

INFO AMEMBASSY OTTAWA

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TAGS: EFIN, ECON, SOPN, CA

SUBJ: MIXED TORONTO REACTION TO FEDERAL BUDGET

REF: OTTAWA 1814

1. SUMMARY: ONTARIO TREASURER MCKEOUGH AND SOME OF THE BUSINESS COMMUNITY EXCEPTED, TORONTO REACTION TO FINANCE MINISTER CHRETIEN'S FIRST BUDGET WAS FAR FROM FAVORABLE. ECONOMISTS, LABOR LEADERS AND THE MEDIA FEEL THE BUDGET LACKS THE ANSWERS TO THE PROBLEMS CANADA IS FACING
END SUMMARY.

2. TORONTO'S INITIAL REACTION TO MINISTER CHRETIEN'S BUDGET WAS DIVIDED SHARPLY BUT NEGATIVE COMMENTS SEEM TO OUTWEIGH POSITIVE. STRONGEST LOCAL SUPPORT CAME FROM ONTARIO TREASURER DARCY MCKEOUGH WHO HAS BEEN INTERVIEWED BY EVERY NEWSPAPER, TV AND RADIO JOURNALIST IN TOWN. SUBSTANCE OF MCKEOUGH STATEMENTS IS THAT SALES TAX MEASURE MAY BE POOR POLITICS BUT IS GOOD ECONOMICS. MCKEOUGH FEELS MEASURE WILL HAVE LITTLE IMMEDIATE EFFECT ON ONTARIO UNEMPLOYMENT BUT IS PREFERABLE TO INCREASED GOVERNMENT SPENDING.
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ING AS STIMULUS. CANADIAN MANUFACTURERS ASSOCIATION, CANADIAN FEDERATION OF INDEPENDENT BUSINESS, CANADIAN IMPORTERS ASSN. PRAISE FEDERAL-PROVINCIAL FISCAL COOPERATION IN TAX CUTS, THE "CREATIVE FISCAL CALISTHENICS" OF AN ELECTION BUDGET WHICH IS "PRETTY GOOD ECONOMICS TOO" AND THE "STIMULATION OF THE ECONOMY FROM WITHIN".

3. LABOR LEADERS IN ONTARIO JOINED THE MEDIA IN PANN-
ING THE BUDGET. ONTARIO FEDERATION OF LABOR PRESIDENT
CLIFF PILKEY CALLED IT "AN ELECTION BAND-AID THAT WILL
DO NOTHING TO COUNTER THE ECONOMIC HAEMORRHAGE DRAINING
THE NATION". UNITED STEELWORKERS NATIONAL DIRECTOR GERARD
DOCQUIER CALLED THE BUDGET A "CYNICAL ELECTION BUDGET
INSTEAD OF A SERIOUS ATTEMPT TO CURE OUR ECONOMIC
PROBLEMS."

4. BANK AND BROKERAGE ECONOMISTS FAULT MINISTER
CHRETIEN IN HIS BASIC ASSUMPTIONS ON GROWTH RATE AND
PRICES.

5. TORONTO SUN CALLED THE BUDGET A "DONUT BUDGET -
ALL HOLE AND NO DOUGH". THE SUN CONTINUED THAT "AFTER
A DECADE THE TRUDOVNIKS FINALLY DISCOVER" THAT THE
GOVERNMENT WAS SPENDING TOO FAST AND INCREASING MONEY
SUPPLY TOO QUICKLY. "IF MR. T. CAN DEFEND THIS (THE
BUDGET) HE REALLY MUST BE IN LEAGUE WITH THE DEVIL,
BLINDING THE NATION THROUGH SOME VODOO SPELL."

6. TORONTO STAR LEAD EDITORIAL "BUDGET HALF-MEASURES
NOT ENOUGH" BEGAN "FINANCE MINISTER JEAN CHRETIEN'S
BUDGET TO PUT IT BLUNTLY, ISN'T GOOD ENOUGH". THE STAR
CONTINUED THAT, DESPITE SOME WELCOME MEASURES AS SALES
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TAX CUT, THE TWO REQUIREMENTS OF THE BUDGET, IMMEDIATE
STIMULUS AND LONG-TERM CONFIDENCE, WERE NOT MET. THE
TAX STIMULUS IS NOT LARGE ENOUGH, THE PAPER CLAIMED,
AND THE OTHER INCENTIVES STILL DO NOT GIVE A SENSE OF
DIRECTION TO THE ECONOMY, "CHRETIEN'S BUDGET.....
SEEMS DESIGNED LARGELY TO ENTICE VOTES IN THE
NEXT ELECTION, AFTER WHICH ITS MAIN ITEM, THE SALES
TAX CUT, WILL EXPIRE. IT IS A BUDGET OF HALF MEASURES
AND, TO SAY THE LEAST, A DISAPPOINTMENT."
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